

**QUARTERLY UPDATE SUMMARY**

**PERIOD ENDED DECEMBER 31, 2007**

**Economy**

In 2007, Vietnam achieved a GDP growth of 8.5% (a 10-year high). All major sectors contributed to this strong growth, namely industrial production (+17.1%), export (+21.5%), tourism (18% more arrivals) and an especially large increase in foreign direct investment (FDI). New FDI commitments in the amount of US\$20.3 billion were licensed, almost double the 2006 figure of US\$10.2 billion and the pipeline of FDI is getting longer and thicker, which should secure strong economic growth for many years to come. Due to strong imports of capital goods, the balance of trade deficit surged to US\$12.4 billion, a 158% increase. Financing this deficit however, should not be a problem because of the strong capital inflows by corporate and portfolio investors as well as remittances from overseas Vietnamese (estimated at US\$8 billion). By year end, the currency reserves of the State Bank of Vietnam had increased by 82.6% to US\$21 billion.

Inflation is becoming a concern however, as the consumer price index (CPI) reached double digits (12.6%) for 2007, the highest in 11 years (the average inflation rate was 8.3%). Economists attribute the high CPI to global and regional increases in the prices of various commodities and the failure of monetary regulators to keep up with another year of strong economic growth by not letting the VND appreciate against the USD.

Vietnam officially became a WTO member on January 11, 2007 and was also elected to be a non-permanent member of the United Nations Security Council on October 16, 2007. These two events affirm the country's new prestige and position in the international arena. The WTO membership is expected to further contribute to strong economic growth. The government forecasts an increase in GDP of 9% for 2008.

In the past, the stock market has been the main focus for investors and while we still expect great opportunities in equities, real estate is now becoming an increasingly attractive area. Soaring demand and scarce supply continue to be the story. Frequently, cash buyers line up a night ahead of time to buy luxury apartments and villas. Both the lack of supply over the past 10 years and the increasing affluence of the middle class are the primary causes. The prospects for investors in the office market, especially grade A, also continue to be very good as inadequate new international quality office buildings are projected to come into inventory in the near future.

**Corporate**

In late 2007, Taiwan's Foxconn Group signed an investment agreement with the government to invest US\$5 billion in Vietnam. The group has already opened two hi-tech factories with a combined investment of US\$160 million in Bac Ninh province, near Hanoi. The presence of Foxconn, which ranks 150<sup>th</sup> in the Fortune 500, follows in the footsteps of Intel's US\$1 billion investment in Ho Chi Minh City last year, which stimulated the interest of many other international corporations and institutional investors to Vietnam.

Four of the leading consumer goods distribution companies in Vietnam (Satra, Hapro, Saigon Coop, and Phu Thai) have jointly established the Vietnam Distribution Association. They have committed US\$375 million to the alliance to prepare for the expected increased competition when the retail market fully opens to foreigners in 2009 under WTO commitments.

The government recently established eight business groups of the largest state-owned-enterprises to prepare for some of the largest IPO's ever for Vietnam, which are expected to occur between now and 2010. The groups are: oil and gas, electricity, post and telecom, shipbuilding, coal and minerals, garments and textiles and rubber and insurance.

**Stock Market**

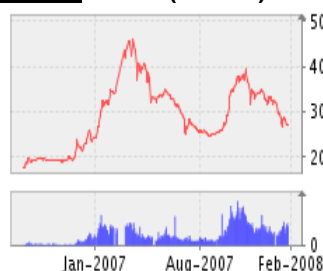
The VN Index ended 2007 with an increase of 23.31% despite volatile trading. Total market capitalization reached US\$31 billion, equal to 44 per cent of national GDP, double the figure in 2006 and 15 times higher than in 2005. The number of listed companies increased to 249 (138 on the HCMC Stock Exchange and 111 on the Hanoi Exchange) compared to 193 in 2006 and 41 in 2005. In 2007, the stock market continued to be an effective channel for mobilizing capital, allowing listed companies to raise more than US\$6 billion. The Law on Securities took effect in January 2007, creating a stable framework for the stock market. Standards were established for listed firms, brokerages and fund management companies. Two key events for the stock market were the biggest ever initial public offerings of two large state-owned enterprises, Vietcombank and Bao Viet Insurance. Vietcombank auctioned off 98 million shares, which was equivalent to 7% of its chartered capital. Bao Viet sold 59 million shares, which was equivalent to 9% of its chartered capital.

**Economic Indicators, December 2007**

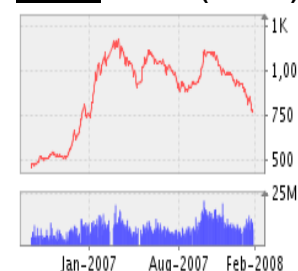
GDP	US\$71.3 bn	8.48% yoy
CPI	+12.6% ytd	+13.37% yoy
Export turnover	US\$48.4 bn	21.5% yoy
Import turnover	US\$60.8 bn	35.5% yoy
Trade deficit	US\$12.4 bn	157.7% yoy
FDI approvals	US\$20.3 bn	99% yoy
Industrial production	US\$32.4 bn	17.1% yoy
Foreign visitor arrivals	4.23 mn	18% yoy
VND/ USD 31 Dec, 07	VND16,012	-0.001% yoy
VN index 31 Dec, 07	927.02	23.31% ytd

Source: General Statistic Office of Vietnam (December 2007)

**HASTC 271.76 (+0.52%)**



**HOSTC 776.04 (+1.56%)**



Source: VNDS ([www.vnds.com.vn](http://www.vnds.com.vn)) as of 25<sup>th</sup> Jan 2008

	NAV Dec 28 2007 (EUR)*	Monthly Change (%)	Price Dec 28 2007 (EUR)	Monthly Change (%)	Issued Shares	Bloomberg	Reuters	ISIN
<b>VEH</b>	2.39	1.50	2.53	-2.69	21,745,510	3MS GR	/3MS.DE	KYG936251043
<b>VPH</b>	2.37	-0.05	2.50	-5.66	12,893,972	3MT GR	/3MT.DE	KYG9361R1074

\* Unaudited

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